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INFORMATION NOTE

From:	General Secretariat of the Council
To:	Delegations
Subject:	Multiannual Financial Framework (MFF) 2021-2027 revision - delegations' comments on the Commission proposal to amend the MFF regulation 2021-27

Delegations will find attached a compilation of the comments and questions to the Commission proposal to amend the MFF Regulation in the context of the mid-term revision of the Multiannual Financial Framework 2021-27 communicated after the AHWP meeting on 12 July 2023 (deadline 19 July).

ANNEX

AUSTRIA

Regarding the proposal to increase the payment ceilings: Concerning Payment Schedules 2023-2027 and DB2024 - Statement of Estimates

Can Commission also present a differentiated illustration, which increases to the payment ceilings, as proposed, are commitments stemming from the current MFF implementation period and which are due to other reasons. Also, which of these are due to the proposals within the MTR and which are due to existing commitments made. Which steps has Commission taken, to implement the provisions under article 14 MFF Regulation?

The payment schedule provided by the Commission gives insight into **differentiated appropriations only**. Therefore, in order to construct a **full overview of future payments**, these appropriations need to be supplemented by non-differentiated appropriations. For many programmes, non-differentiated appropriations consist solely of support expenditure for the respective programme where it is not distinguished between payments and commitments.

Information on support expenditure per programme can be derived from the Financial Programming within the the Draft Budget 2024 – Statement of Estimates (SoE). However, **for some programmes, information on support-expenditure is missing almost entirely** in the financial programming. We would therefore have the following questions:

1. Could the Commission provide the payment schedule 2023-2027 supplemented by non-differentiated appropriations per year?

2. Could the Commission provide information on **support expenditure per year** in the Financial Programming (2023-2027) for all programmes under **Heading 2a** as well as **Heading 3** (particularly, EAGF & EAFRD)?

3. In the Financial Programming (p.44) in the SoE, under the Ukraine MFA+ programme, there is a **budget line with no name and tagged as USC** with EUR 50 mn. in commitments foreseen in years 2025-2027. Could the Commission clarify what this line is supposed to represent or if it is simply a mistake?

14 07	Ukraine Macro-Financial Assistance Plus (MFA+)						
14 07 01	*Ukraine MFA+ interest rate subsidy*	*MFA+*	*pc*	*(23-27)*			
14 07 02	*Ukraine MFA+ non-repayable support*	*MFA+*	*pc*	*(23-27)*			
14 08 01	Cannot find heading for [SEC3/E/14 08 01 en]	*USC*	*pc*	*(23-27)*			

4. Could the Commission clarify **what constitutes differentiated and non-differentiated appropriations under Heading 3** (particularly, EAGF & EAFRD)?

   For example, for EAGF the (differentiated) CA for 2023/24 given in the payment schedule (below) are difficult to reconcile with the commitment appropriations in the draft budget 2024 as specified on p. 36 of the policy highlights in the SoE.

EAGF - COMMITMENTS				PAYMENTS							
				2023	**2024**	**2025**	**2026**	**2027**	**2028**	**Subsequent years**	**others**
Pre-2023 commitments still outstanding	356,9			138,0	93,2	64,5	18,2	0,0	0,0	0,0	-16,4
Commitments appropriations made available again and/or carried over from 2022	0,0			0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
Appropriations 2023	171,1			26,3	43,8	42,0	35,1	19,6	0,0	4,2	0,0
Appropriations 2024	225,4			0,0	76,6	48,6	46,2	31,2	18,5	4,4	0,0
Differentiated	**753,4**			**164,3**	**213,6**	**155,2**	**99,4**	**50,8**	**18,5**	**8,6**	**-16,4**

5. When consolidating differentiated and non-differentiated appropriations (support expenditure), the outcome is supposedly matching the budget for a given year which includes all appropriations.

   This holds true for most programmes where the sum of appropriations corresponds to values for CA and PA in the SoE, especially for the Draft Budget 2024.

   However, specifically for PA under Budget 2023, there are at times significant differences when comparing with consolidated appropriations. This is surprising given the distribution of both documents (SoE, Payment Schedules) at the same point in time. To illustrate this point a bit better, an example with a specific programme:

Heading 1 - International Thermonuclear Experimental Reactor (ITER)

Research and Innovation cluster by programmes and objectives	Draft budget (DB) 2024 (1)		Budget 2023 (2)	
	CA	PA	CA	PA
International Thermonuclear Experimental Reactor (ITER)	**556,3**	**614,2**	**839,8**	**671,2**
— Construction, operation and exploitation of the ITER facilities — European Joint Undertaking for ITER — and the Development of Fusion Energy	548,0	459,5	832,1	513,5
— Support expenditure	8,3	8,3	7,7	7,7
— Completion of previous programmes and activities	p.m.	146,4	p.m.	150,0

In the SoE, under DB2024, CA of ITER equal EUR 839.8 mln. (EUR 832.1 mn. Differentiated appropriations + EUR 7.7 mn. non-differentiated (support expenditure, see below)), as well as PA of EUR 614.2 mn. These correspond to the figures given in the payment schedules:

COMMITMENTS	2023	2024	2025	2026	2027	2028
Pre-2023 commitments still outstanding	1.432,6	498,2	533,1	401,4	0,0	0,0
Commitments appropriations made available again and/or carried over from 2022	0,0	0,0	0,0	0,0	0,0	0,0
Appropriations 2023	832,1	65,3	0,0	150,0	616,8	0,0
Appropriations 2024	548,0	0,0	72,8	0,0	75,2	400,0
Differentiated	**2.812,7**	**563,5**	**605,9**	**551,4**	**692,0**	**400,0**
Non-differentiated		7,7	8,3	8,0	8,1	8,3
Total		**571,2**	**614,2**	**559,4**	**700,1**	**408,3**

However, under Budget 2023, the PA of EUR 571.2 mn. from the payment schedule do not correspond to the figure given in DB 2024 (Budget (2023) = EUR 671.2 mn.). Can the Commission give a reason for this discrepancy?

Other instances (non-exhaustive list), where PA for Budget 2023 in the payment schedules and the SoE do not match can be found for programmes:

- Horizon Europe
- Euratom Research and Training Programme
- InvestEU Fund
- Connecting Europe Facility
- Digital Europe Programme
- Cooperation in the field of customs
- Union Security Connectivity (Heading 1)
- European Recovery and Resilience Facility (incl. Technical Support Instrument)
- Protection of the euro against counterfeiting (the 'Pericles IV programme')
- EU4Health
- Erasmus+
- Integrated Border Management Fund (IBMF) - Instrument for financial support for customs control equipment (CCEi)
- Nuclear decommissioning (Bulgaria)
- Military Mobility
- Neighbourhood, Development and International Cooperation Instrument - Global Europe (NDICI - Global Europe)
- European Instrument for International Nuclear Safety Cooperation (EI-INSC)
- Pre-Accession Assistance (IPA III)

Additional questions on the MFF regulation

Regarding the proposed top ups that do not entail the amendment of the prime reference amount:

- Can COM illustrate the "budgetary operations" envisaged? Incl. the legal base, how it would work, role of budget authority.
- Could COM indicate the exact budget lines that would be affected by such “budgetary operations" Which amounts does COM foresee to be included on an annual basis.
- Can COM confirm, that only the ceilings of the headings 4, 5, 6, 7 are increased, thereby increasing the margins that could, potentially, be mobilized for other COM interests as well 2024-2027?
- Could COM indicate the level of implementation of the national envelopes associated with AMIF and BMVI?

In regard to “other needs” under heading 6 that predominantly fall under the NDICI Cushion.

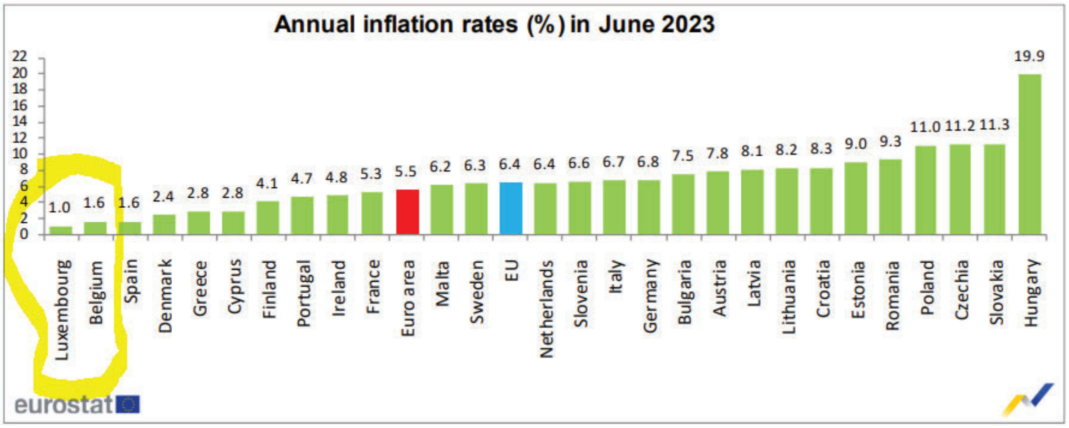
Can Commission confirm, that when the proposals for the “other needs” under heading 6 were presented, that they fulfilled Art 310(4) TFEU. If this where the case, why would additional funding be required?

Apart from the information provided in the relevant fiche, can Commission provide a list of affected budget lines, which include the annual and total amounts for any Ukraine related spending 2024-2027 in heading 6 (or other headings if this expenditure exists there).

Regarding Syrian refugees, during the MFF negotiations as well as during subsequent budget procedures, Commission confirmed that the amounts needed 2021-2027 were covered by the resources available under heading 6. Also, that there would be a move away from humanitarian aid to transition/integration and similar activities to be complemented by the respective MFF instruments. Why would COM now argue the contrary, i.e. that no funds where foreseen?

Can Commission confirm, that once new net-borrowing ends, that the annual amounts needed for interest rate costs will be relatively certain as the variation will depend on mature bonds that are being rolled over and repayment. Hence, the special instrument is only necessary on a temporary basis until 2027.

Given the current inflation (https://ec.europa.eu/eurostat/documents/2995521/17179282/2-19072023-AP-EN.pdf/bf200c74-48a4-e485-3372-c1fd1083c169?version=1.0&t=1689670745030) and both BE and LU being the EU's lowest below 2%,



could Commission calculate an alternative scenario (to the baseline assumptions used for Draft Budget 2024 which will prove to be outdated) and show the effect of this on heading 7, while taking into account the 2% deflator already applied. Commission is requested to communicate the availabilities in the SMI stemming from heading 7, which, in principle would be available. How does Commission foresee to provide updated information on heading 7 when it advocates for a decision in the October European Council. The data is not yet available.

Can Commission recalculate the needs for staff. When assessing some of the Legislative Financial Statements, firstly they fulfilled art 310 (4) TFEU, meaning they would otherwise not be permissible under the treaty.

When counting the numbers, Commission clearly distinguished between those needs covered by existing resources (e.g. free capacities do to a project ending being used, moving vacant posts to priorities areas etc.) and others. We understand that the tally of 790 posts and 283 contract staff actually is ALL the staff resources involved in the respective instruments and not only the real "additional".

In this sense, can Commission explain the underlining rational of the proposal, because rather than a technical adjustment, the approach presented to the College as stated in a note from 3. June to the college on the MTR, the Commission calls for endorsement of "overcoming the stable staffing principle." Could Commission explain this in the context of its support of the European Council conclusions (EUCO 10/20).

Can Commission explain, how the increase in PSEO DBO Actives, as a true measures of all employed, does not contradict the narrative of the need for new additional staff resources given an average increase per year since 2012 of 92 acitves.

Institution	PSEO DBO Actives									
	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Parliament	8543	8935	9074	9464	9872	9959	10305	9895	9987	10357
Council	3004	3097	2985	3026	3162	3162	3111	3160	3206	3246
Commission	30174	30345	31015	31359	30889	30448	30765	31248	31115	31005
CJEU	1979	2198	2101	2244	2273	2311	2293	2327	2303	2309
ECA	878	927	902	931	934	938	943	943	945	950
EEAS	1884	1937	1988	1983	2035	2016	2095	2149	2234	2326
EESC	748	758	741	739	739	738	737	737	730	727
CoR	544	555	542	558	548	552	560	569	560	574
Ombudsman	73	75	73	73	76	82	78	75	73	74
EDPS	47	54	58	62	63	72	96	96	114	128

Institution	Total absolute variation	Average absolute variation
	2012-2021	Avg 2012-2021
Parliament	1.814	202
Council	242	27
Commission	831	92
CJEU	330	37
ECA	72	8
EEAS	442	49
EESC	-21	-2
CoR	30	3
Ombudsman	1	0
EDPS	81	9

Institution	Yearly relative variations								
	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	2019-2020	2020-2021
Parliament	4,6%	1,6%	4,3%	4,3%	0,9%	3,5%	-4,0%	0,9%	3,7%
Council	3,1%	-3,6%	1,4%	4,5%	0,0%	-1,6%	1,6%	1,5%	1,2%
Commission	0,6%	2,2%	1,1%	-1,5%	-1,4%	1,0%	1,6%	-0,4%	-0,4%
CJEU	11,1%	-4,4%	6,8%	1,3%	1,7%	-0,8%	1,5%	-1,0%	0,3%
ECA	5,6%	-2,7%	3,2%	0,3%	0,4%	0,5%	0,0%	0,2%	0,5%
EEAS	2,8%	2,6%	-0,3%	2,6%	-0,9%	3,9%	2,6%	4,0%	4,1%
EESC	1,3%	-2,2%	-0,3%	0,0%	-0,1%	-0,1%	0,0%	-0,9%	-0,4%
CoR	2,0%	-2,3%	3,0%	-1,8%	0,7%	1,4%	1,6%	-1,6%	2,5%
Ombudsman	2,7%	-2,7%	0,0%	4,1%	7,9%	-4,9%	-3,8%	-2,7%	1,4%
EDPS	14,9%	7,4%	6,9%	1,6%	14,3%	33,3%	0,0%	18,8%	12,3%

BULGARIA

On Heading 4

Bulgaria confirms its position expressed during the discussions at the AHWP and other relevant meetings on the need to secure additional funding in the area of border management and migration for the period after 2024. We would like to thank the Commission for the clarifications and documents provided so far and we would like to reiterate our view (as also expressed by other Member States) that additional funding under Heading 4 for the period after 2024 is to be provided not only to migration as a consequence of the New Pact, but to increasing border management capacity as well. Ensuring sufficient means to reinforcing border control capabilities and infrastructure should be a priority in the migration and border management policy area.

On Heading 6

The additional support proposed for the Western Balkans (WB) is without doubt an important positive signal from the EU that would allow our WB partners to speed up economic convergence. Having in mind the impact Russia’s war in Ukraine has had in the region, we should put more effort in increasing stability, bringing forward the advantages of EU membership and enhancing the pace of their progress towards EU accession. We need to make sure the support continues in a structured way in order to speed up convergence. To this end, receiving at least preliminary estimates and information on the proposed reinforcements for the Western Balkans would be highly appreciated, including per year and per objective of the IPA III programme.

On the EURI Instrument

We are aware of the difficulties related to the forecasting of the amounts but our main objective should be to provide the required predictability for the national budgets and clarity on the process of mobilizing the proposed instrument. To this end, we would appreciate receiving a fiche with estimates from the Commission with the underlying assumptions for 2024-2027 (reflecting both scenarios of needs in the range from EUR 17 billion to EUR 27 billion).

<u>CZECH REPUBLIC</u>

Heading 4, 6, EURI Instrument

MFF Regulation revision

General comment:

- While the Czech Republic priority is the full use of the potential of the current MFF, we are ready to analyse and discuss the proposal on table. Any potential adjustments should however be made with the economic reality of MS in mind.

EURI instrument

- The proposal for the special Thematic Instrument "EURI instrument" sets specific amounts as thresholds for the mobilisation of the EURI Instrument and at the same time a maximum amount to be mobilised. The uncertainty of the annual amounts and decision timing puts high pressure on national budget and would be challenging for budgeting MS´ national contributions to the EU budget for the following year.
- We are critical of involving the EP in the process of deciding on them amounts for EURI Instrument to be mobilized in the framework of budgetary procedure. The EP should not be invoved in NGEU decisions.

DENMARK

External challenges, overall

- Can the Commission provide an estimate funds under the current MFF ceilings, that could be made available for external challenges by:
  - Mobilising existing margins in H4 oh H6?
  - Mobilising special instruments?
  - Mobilising the Flexibility Instrument?
  - Redeploying unallocated funds in AMIF, ISF and BMVI?

Heading 4

- The thematic facilities within AMIF, ISF and BMVI are intended for the most pressing needs. To what extent does the New Pact on Asylum and Migration justify prioritising these funds according to the Commission?
- Will the New Pact on Asylum and Migration entail any efficiency improvements, which could free existing funds for redeployment?
- Can the Commission confirm that it is possible to transfer up to 5 percent of cohesion funds to AMIF, BMVI and ISF? Can the Commission provide an estimate of the amount of funds such transfers would entail for each Member State?

Heading 6

- Can the Commission provide an estimate of the current allocations for Ukraine in heading 6, including loan cost subsidies for MFA loans?
- Does the Commission in its budgeting consider the costs for guarantee provisioning for MFA as official development assistance?
- How would the provisioning rate of 70% on the MFA2 and ELM loan disbursements be affected by an adoption based on the Commissions proposal?

Heading 7

- Can the Commission please model the effect of a one-year pay and pension freeze and a two year pay and pension freeze?
- Can the Commission provide estimation of payment levels to administration, if all institutions had adhered to the principle of stable staffing agreed upon in the MFF agreement of July 2020 by the European Council.

EURI instrument

- Can the Commission confirm that it will be possible to pay all interests due in 2024 within the Commission's draft budget for 2024?
- Can the Commission elaborate how an instrument without upper limits consistent with the principle of sound financial management?
- Can the Commission provide its calculations regarding EURI costs? This includes the information on the cash position to date, future plans in this regard, expected needs (pay outs) and assumptions on interest rate developments. Which of these where used?
- Can the Commission elaborate why EURI would fall under the temporary own resources ceiling (0,6 %)? And not the normal OR ceiling?
- Could the Commission provide estimation on whether

- On auctioning, could the Commission elaborate on the need for the frequent auctioning of NGEU bills/bonds (close to weekly) and their size?
    - o How does this compare to the issuing strategy of SURE bonds, that where issued in a less frequent basis according to COM transaction data? Considering that SURE is also temporary instrument and limited debt issuance period.
    - o How does the issuing strategy compare to the issuing strategy of other issuers of supra-national bonds (e.g. EIB and EBRD) or issuers of government bonds and bills, especially considering some keeps a stable marked presence based on a lower and less frequent auctioning of euro-nominated bonds?
    - o Has the Commission considered other strategies in its objective to maintain stable marked presence, e.g. monthly or bimonthly auctions, that take better respect to actual outflow of funds? I.e. a lower issuing profile from 2023, and steeper when there is a higher actual outflow of funds.
    - o Has the approach to NGEU green bonds entailed an upward pressure on total auctioning volume and frequency (all bonds and bills) related to stable marked presence? I.e. an initially higher and less step issuing profile until 2026?
    - o Would a different issuing approach to green bonds put a downward pressure on auctioning volume needed for marked presence? E.g. DK and DE has issued green bonds based on a twin bond approach.
    - o Could a diversified funding strategy of green expenditure entail a lower interest rate overall? I.e. would it be feasible to issue a single type of NGEU bond rather than also a green bond? This would also lower the auctioning level needed to maintain marked presence due to fewer type of bonds. And keeping in mind, that the green ambitions irt. NGEU funds are set independently of NGEU green bonds.

Flexibility Instrument and other special instruments

- Can the Commission confirm that if the annual amounts for SEAR and the Flexibility Instrument are changed in the MFF regulation, those higher amounts will only be applicable for financial years after the entry into force?
- If a potential amendment of the MFF regulation enters into force after January 1st 2024, will the full amount be available in 2024? If the amendment enters into force before December 31st 2023, will the full amounts be available in 2023 and subject to carry-over?

Additional question on STEP, Article 10

- In order to evaluate the possible impact of the Article to payments in 2023, could the Commission elaborate on relevant limits related to MS transfers from ERDF or Cohesion Fund to the new STEP priority? In this respect, is correctly understood that any transfer to the new priority should continue adhere to the Article 24 in the CPR *([…]up to 8 % of the initial allocation of a priority and no more than 4 % of the programme budget to another priority of the same Fund of the same programme[…]*?

FINLAND

The EURI Instrument / the ORD

According to the proposed Article 10a (1) the EURI Instrument may be used to finance the additional costs where, in a given year, the costs of **the interest and coupon payments** due in respect of the funds borrowed on the capital markets in accordance with Article 5(2) of Decision (EU, Euratom) No 2020/2053 exceed the following amounts (in 2018 prices).

According to the Article 5(2) of the ORD the **repayment of the principal** of the funds borrowed to be used for expenditure as referred to in point (b) of the first subparagraph of paragraph 1 of this Article and **the related interest due** shall be borne by the Union budget.

Could the Commission clarify the obligations related to the coupon payments and also explain whether the proposal could create new obligations for the EU budget in comparison with the ORD?

The Ukraine Reserve

The MFF is decided in 2018 prices. The Commission now proposes the Ukraine Reserve in current prices.

Is this legally possible? Could this be in contradiction with the 2 % deflator of the MFF Regulation?

The Ukraine Facility – grants/loans vs. MFF Regulation - Ukraine Reserve - grants

According to the article 6(2) of the proposed Ukraine Facility Regulation the financial support pursuant to Chapter III in the form of a loan, shall be available for an amount of up to EUR 50 000 000 000 for the period from 1 January 2024 to 31 December 2027. According to the proposed article 10b of the MFF Regulation the Ukraine Reserve shall not exceed an amount of EUR 50 000 million in current prices for the period 2024 to 2027. The latter provision means that the total amount would be used as grants.

Could the Commission clarify the relationship between these two proposals?

Flexibility Instrument and SEAR

Could the Commission give us (more) justifications for the proposed increased amounts of Flexibility Instrument and SEAR?

FRANCE

Rubrique 4

1) La Commission peut-elle fournir un état détaillé de la consommation des fonds par programme et par État membre ? Quel est le renforcement envisagé pour l'Agence européenne de l'asile ?

2) La Commission peut-elle présenter une analyse détaillée de la consommation de la rubrique 4 et des redéploiements envisageables ?

Rubrique 6

3) La Commission dispose-t-elle d'une évaluation des financements européens dédiés au volet externe des migrations sur la période 2014-2020 ou sur les exercices plus récents (2021-2022) ?

4) Au plan budgétaire, le suivi opérationnel du programme NDICI est très complexe compte tenu des différents instruments et enveloppes. La Commission peut-elle fournir un fichier listant les projets et partenariats financés, leur objet précis, les pays bénéficiaires, le coût associé et l'état d'avancement de la consommation des enveloppes ?

5) La Commission a indiqué ne pas pouvoir renseigner de répartition par programme des financements additionnels, cette répartition dépendant des besoins concernés par régions et pays. La Commission envisage-t-elle *a minima* de transmettre des montants indicatifs par programme sur la base d'une première estimation des besoins ? Il pourra être rappelé que les délégations disposent de cette distinction par programme dans toute négociation relative au cadre financier pluriannuel.

6) La Commission a-t-elle envisagé de renoncer ou de décaler certains projets dans le temps ? A-t-elle envisagé d'adapter la programmation initiale (réallocation de financements) à l'évolution des circonstances géopolitiques, en priorisant ses interventions ?

7) La Commission peut-elle préciser les suites qu'elle compte donner aux recommandations du rapport spécial de la Cour des comptes européennes sur l'instrument NDICI ? En particulier, est-ce que la Commission compte faire évoluer sa méthode d'allocation des financements aux pays du voisinage, jugée difficilement comparable et peu transparente ?

8) La Commission a-t-elle envisagé d'alléger la pression sur le coussin NDICI en imputant les dépenses prévues relevant du soutien à l'Ukraine sur 2024-2027, à la facilité Ukraine ?

9) La Commission peut-elle préciser, à titre indicatif, quelle part des financements additionnels répondrait aux critères du Comité d'aide au développement de l'OCDE et serait comptabilisable en aide publique au développement ?

Rubrique 7

10) Quels sont les facteurs sous-jacents de la Commission pour l'adaptation des salaires pour 2024-2027 ?
11) La Commission peut-elle fournir une fiche détaillée sur les dépenses administratives de la rubrique 7, de toutes les rubriques et des instruments extrabudgétaires (mise à jour des fiches 25 et 41) ?
12) La Commission peut-elle confirmer que les prévisions d'inflation pour la rubrique 7 (adaptation des salaires) et pour la ligne EURI sont les mêmes ?
13) La Commission peut-elle fournir un tableau détaillé concernant les postes (tableau des effectifs) de toutes les institutions, les postes du personnel externe et les postes des agences depuis 2020 ?
14) La Commission peut-elle préciser, parmi les 885 postes requis dans le cadre de la révision, le nombre de postes (tableau des effectifs et personnel externe) requis par texte ?

EURI

15) La Commission peut-elle justifier son choix de prendre la programmation financière 2024 comme référence, plutôt que les montants du CFP ?

16) La Commission peut-elle fournir une estimation maximaliste s'agissant du coût additionnel des intérêts EURI ainsi que le cas échéant l'estimation d'une borne basse et d'une borne haute.

17) La Commission peut-elle préciser quelles mesures d'économie jusqu'à la fin du CFP pourraient être envisagées pour financer au moins en partie cette dépense imprévue, dans la mesure où l'ensemble des États membres mettent en place de telles mesures pour financer la hausse de la charge de la dette ?

Recettes

18) La Commission peut-elle fournir les dernières estimations disponibles à date concernant le volet recettes jusqu'à la fin du CFP en cours (ressources propres traditionnelles, RNB, TVA, ressource plastique, autres recettes avec le détail de la contribution britannique) ?

GERMANY

GER questions/comments regarding the MFF regulation, including Heading 4 and Heading 6:

General comment: We note that the proposed increases of ceilings in Annex I go beyond political and legal obligations. We expect COM to identify all opportunities for redeployment of existing, especially unplanned funds, as well as from lower implementation than planned, and remaining margins to serve additional needs. The question of whether there is financial scope for addressing any needs that go beyond political and legal obligations will be subject to a political decision.

1) Regarding the EURI-Instrument, we could not accept an unlimited instrument. A cap would be necessary. Additionally, we have reservations about the creation of new special instruments outside the MFF ceilings. The proposal on the Ukraine Reserve and on the EURI Instrument would mean that a substantial volume of expenditure (where it is unclear whether this expenditure can be qualified as "unexpected") is foreseen over and above the MFF ceiling – this raises certain legal questions. It would be preferable to cover interest cost within the MFF ceiling.
2) COM rightfully points out that the tightening of monetary policy affects all issuers, including MS, which led to a similar tightening in national budgets. First of all, the EU budget has to cover financing cost of EU debt via reprioritization and redeployments of existing means, especially from unassigned funds, as well as those from lower implementation than planned.
3) Could COM provide a more detailed analysis on what the proposed increases in commitment appropriations would mean for payments (broken down for years and headings)?
4) If the Ukraine Reserve was used up to the ceiling of 16.7bn EUR in any year as defined in Art. 10b (2), what would be the consequences for the remaining buffer of the headroom? Likewise, if aid for Ukraine would contain a higher share of loans as in COMs indicative split, what would be the consequences for the headroom?
5) With reference to the table of the indicative breakdown of the additional resources in heading 4 (wk09724, fiche 4, page 16) COM estimates the costs for adequate capacity to be 1.250 Mio. EUR for the period 2025-2027, thereof 250 Mio EUR in 2025, 200 Mio. EUR in 2026 but 800 Mio. EUR in 2027. What is the reason for this uneven distribution of funds and the extraordinary increase in demand in 2027?

Comments on programming in Heading 4 and 6, without prejudice to the reservations expressed above:

6) With regards to the Western Balkans growth plan announced by COM that is planned to be based on a raised heading 6: Current IPA funds are not fully claimed by the eligible countries as they increasingly lack absorption capacities. In light of reform stagnation and even cases of backsliding in certain areas and some eligible countries, will COM define additional conditions for granting the additional funds and if so, which conditions?
7) How does COM plan to safeguard the geographic and thematic balance within Heading 6 / NDICI-GE (particularly regarding LDCs)?
8) Regarding Migration, it requires a comprehensive approach and for measures under heading 6/NDICI-GE a participatory approach with partner countries is needed with a strong focus on the developmental dimension in order to ensure ODA eligibility. We would welcome further information by the COM how this will be ensured?
9) Are proposed funds in headings 4 and 6 intended to strengthen the thematic facility or also to strengthen the programs of the member states? If only the thematic facility is to be strengthened, why is funding for MS programs not strengthened as well?

HUNGARY

General

- When will the Commission formally withdraw the amendment to the MFF Regulation, proposed in December 2021 (COM(2021)569 final)? In the new proposal, the Commission indicates that the previous proposal is obsolete and therefore it should be withdrawn in due course.

- Concerning the headroom: we would like to see how much room for manoeuvre we still have. Can the Commission give detailed information on how much commitments have already been made at the expense of the headroom on an annual basis until 2058, taking into account all kind of commitments (BOP, EFSM, etc.)?

- With regard to the top-ups of Heading 4, 6 and 7, the modification of the MFF regulation contains just the increase of the related ceiling, but does not specify which specific programmes are the beneficiaries of the top-ups, as – according to our understanding – the Commission's intention is to use the 15% flexibility possibility enshrined in point 18 of the Interinstitutional Agreement of 16 December 2020 and not modify the sectoral legislations. Could the Commission confirm our understanding? Why did the Commission choose this option instead of modifying all relevant sectoral legislations and providing full transparency?

- If the above-mentioned approach is applied, how can we know for sure how the additional resources will be used? What are the legal and/or political guarantees for that the figures presented by the Commission for specific areas (such as the additional EUR 3.5 billion for Türkiye or the additional EUR 2 billion for the Western Balkans) will actually be used according to the Commission's presentations?

- We have seen that unfortunately even the Council can deviate in its position from the relevant European Council conclusions. What are the options to legally guarantee, in advance, that the top-ups will be used according to the original intention?

- Is it possible that, after setting up the Ukraine Facility, Ukraine would also receive funds from Heading 6 (beyond humanitarian aid and multi-country projects), e.g. if disbursements from the Ukraine Facility are suspended for any reasons (e.g. Ukraine does not fulfil the precondition for payments)?

Heading 4

- The proposal acknowledges that the migratory pressure is rising at the external borders of the EU. However, as the purpose of the new funding, the proposal only mentions contested ideas about relocation and reception capacity. Why does the proposal not foresee any new funding for the external borders?

Heading 6

- Could the Commission provide more detailed information on the elements of the significant increase of the Heading 6?

- On the Western Balkans: Could the Commission clarify how the EUR 2 billion indicated would be used? What kind of projects would be financed? What kind of entities would be eligible for the funding?

Heading 7

- At a time of economic hardship, when we all have to cut our own administrative spending, what is the Commission's argument to justify a significant increase in administrative expenditures?

- Could the Commission give more detailed information about its additionally requested 600 posts (e.g. for which task how many posts are needed) and clarify how much could be filled with redeployment?

EURI Instrument

- According to slide 40 of the Commission's presentation of July 5 the total interest costs of the already executed borrowings is circa EUR 14.7 billion, therefore, should there be no new borrowing activity, the available EUR 14.9 billion for the EURI interest costs would be enough until 2027. Could the Commission confirm that in this hypothetical case there would be no need to create the proposed EURI special instrument?

- What are the actual estimates for the interest payments for the bonds already issued? (broken down to each and every tranche issued) The Commission presented so far two numbers: EUR 14.7 billion (at the AHWP on July 5) and EUR 20.5 billion (at NGEU inter-institutional meeting on July 18) – which one is correct? What are the calculations behind the figures? If both figures are correct, what happened in the last weeks that justify such a difference? If the obligations arising from the amounts already issued has exceeded the foreseen EUR 14.9 billion, what implications does this have on the overall interest payments until 2027? Can we assume that the additional EUR 18.9 billion put forward in the proposal might increase as well? If so, to what extent?

- Not setting an annual maximum ceiling for the EURI special instrument might infringe the sound financial management principle. Does the Commission agree with this?

- What is the guarantee that the Commission will prioritize budgetary prudence and low borrowing costs while pursuing its aim to become a super-sovereign issuer on the financial markets?

- What mechanism will stop the Commission to issue EU bonds just for the sake of issuance (or continuous market presence) even when there is no reasonable payment request?

ITALY

1. Could the Commission explain why no funds are assigned to returns and relocation in 2025, according to the proposed allocation of the 2 billion additional resources, which should reflect the estimation of the needs for the implementation of the New Pact?

2. Could the Commission explain the rationale of the assignment of the funds under the "Adequate capacity" concerning the proposal of the heading 4 (250 million in 2025, 200 million in 2026, 800 million in 2027) ?

3. The Commission explained that total aid to Ukraine (except humanitarian and military) will be channeled through the Facility: as a consequence Ukraine will remain eligible under NDICI only for thematic and regional programs and the foreseen reinforcement of the NDICI cushion will not be used for Ukraine. Could the Commission clarify whether Ukraine will also remain eligible for the rapid response pillar of NDICI?

4. The Commission explained that the amounts of resources previously allocated to Ukraine under NDICI (in the order of 160 million per year, totalling about EUR 640 million over the period 2024-2027), would be reallocated to other neighboring countries, including Moldova and provisions for other MFAs (see footnotes on page 6 and page 15). Could the Commission better specify what other countries would be supported and whether the redeployments might include both East and South Neighborhood?

<u>LUXEMBOURG</u>

<u>Questions on Heading 4/Fiche 4</u>

<u>Adequate capacity</u>

A more detailed breakdown is required:

- between thematic facilities ó envelopes
- How much for the reception capacity construction, per year ?
- What are the calculated <u>construction costs</u> (not running costs) foreseen for the 30.000 places? average cost / place?
- How much for running costs, per year ?
- How much for the monitoring mechanisms to be set up, per year ?

AMIF is the financial instrument foreseeing "*establishment or improvement of reception accommodation infrastructure"* (Annex III §2.e of REG 2021/1147). In contrast, BMVI foresees "*infrastructure, buildings, systems and services required at border crossing points and for border surveillance between border crossing points"* (Annex III§1.a of REG 2021/1148); "identification, fingerprinting, registration, security checks, debriefing, provision of information, medical and vulnerability screening and, where necessary, medical care and referral of third country nationals to the appropriate procedure at the external borders" (AnnexIII§1.i of REG 2021/1148) and "*Measures for setting up and running hotspot areas in Member States facing existing or potential exceptional and disproportionate migratory pressure*" (Annex IV§9 of REG 2021/1148 – Actions eligible for higher co-financing rates).

- Mindful that only 250MEUR is allocated to AMIF, but 1000MEUR to BMVI, please explain why the funds foreseen to reach adequate capacity are earmarked under a fund which does neither provide for the <u>construction</u> of <u>reception</u> infrastructure, nor for the construction of infrastructure outside of border crossing points/areas ?

The disclaimer under the indicative breakdown table in Fiche 4 explains that *adequate capacity* covers the costs to "temporarily accommodate persons undergoing the screening procedure at external borders, as well as running costs associated with this reception capacity".

- Why is only the screening procedure covered? Why not the Asylum Border Procedure? Is the Return Border Procedure also covered, and, if yes, under "adequate capacity" or under "returns"?

Returns, Relocation, EUAA

- Why is there no increase for Return in 2025?
- Why is there no disbursement of the additional funds for Relocation already in 2025 (cf. voluntary relocation scheme agreed by Council)?

Horizontal issue

- Could the Commission clarify the wording discrepancy between the DB2024 statement of estimates (for heading 4) and the BMVI legal basis (2021/1148) ? What does the Commission exactly mean by '**reinforced border protection**' ? It seems this concept is not defined in the Schengen border code regulation, nor mentioned in the BMVI regulation.

DB2024 Statement of Estimates, page 7

Heading 4, Migration and border management, brings together all funding dedicated to the protection of the external borders of the EU, with the Integrated Border Management Fund, and support to Member States in the area of asylum and migration. The agencies working in this field represent a substantial proportion of the heading, and the EU contribution increases notably for the European Border and Coast Guard Agency (FRONTEX), including the build-up of the standing corps of Border Guards. Based on the evolution of needs at the external borders and the absorption capacity of FRONTEX, the Commission proposes to shift EUR 50 million from the programmed large increase **of the 2024 EU contribution to FRONTEX to the Border Management and Visa Instrument (BMVI), which can be used to support reinforced border protection capabilities and infrastructure**, means of surveillance and equipment, and actions supporting a well-functioning Schengen area. This results nevertheless in a large budget increase for FRONTEX of EUR 85 million.

<u>BMVI wording (2021/1148)</u>

(a) **infrastructure, buildings, systems and services required at border crossing points** and for border surveillance between border crossing points;

<u>Schengen Borders Code definitions (2016/399), article 2</u>

10. ‘border control’ means the activity carried out at a border, in accordance with and for the purposes of this Regulation, in response exclusively to an intention to cross or the act of crossing that border, regardless of any other consideration, consisting of border checks and border surveillance;

11. ‘border checks’ means the checks carried out at border crossing points, to ensure that persons, including their means of transport and the objects in their possession, may be authorised to enter the territory of the Member States or authorised to leave it;

12. ‘border surveillance’ means the surveillance of borders between border crossing points and the surveillance of border crossing points outside the fixed opening hours, in order to prevent persons from circumventing border checks;

<u>Questions on Heading 6 :</u>

<u>Syrian Refugees</u>

- According to Fiche 5 ‘*The bulk of the support to Syrian refugees in Türkiye should be delivered via IPA III, with some humanitarian activities delivered via Humanitarian aid according to needs’*. Could the Commission give an indicative breakdown between the amounts envisaged under IPA III and those under Humanitarian aid ?

<u>Western Balkans</u>

- Could the Commission give an indicative breakdown per year and per country of the EUR 2 billion top up proposal under IPA III ?

THE NETHERLANDS

General comments

- We do not have a formal position, this is subject to scrutiny/technical discussions and parliamentary debate after the summer break.
- Careful process needed; should by no means be rushed.
- Starting point is that funds should be found within the current MFF-ceilings and existing special instruments. NL is not in favor of introducing new funds.
- Recognise and underline the challenges the Commission identifies for migration and the need for solid financial framework. Need to ensure that migration issues will be addressed by reprioritization.
- We would like to see presented by the Cion more alternative ways of financing the rising interest costs, as we do not support the current Cion proposal and see various other options.
- Would like to receive an overview of total extra fte needed for all parts of the mid-term review proposal. Please provide a more detailed breakdown of the needed extra administrative expenditure (1,9 bln. in heading 7).

Questions

Heading 4

- Migration Pact: Original proposals were already supported with a reservation of 1.1 billion for implementation costs. The Cion also announced the availability of an additional 1 billion for implementation costs when finalizing council positions in June. Which expenditures will be covered with existing budgets and for which expenditures additional funding is needed?

- Border management: Cion has already made available 600 million euros for the follow up of European Council Conclusions. Which expenditures require this additional funding? Could you be more specific?

Heading 6

FRIT

- NL supports the continuation of the EU-Turkey Declaration and the FRIT. Could you elaborate on why the extra 3.5 billion is needed and what are the time lines of the budget?
- In the past the FRIT was partly financed outside of the MFF, and partly through existing MFF means. To what extent can it be financed through the existing budget in your proposals? Could you indicate how (the continuation of) FRIT will be financed?

Western Balkans

- Could you provide clarification on the funds for the Western Balkans? How is the amount of 2 billion euro constructed? What is extra financing and what can be done on the basis of the current MFF? Also, depending on the type of programs, what kind of conditionalities are envisaged?

NDICI cushion

- We do recognize the 80% depletion of the cushion, partly caused by the Russian war of aggression in Ukraine and the required support for Ukraine as a consequence thereof. For which purpose would you foresee the use of the cushion in the second half of the MFF?

Migration partnerships

- Could you elaborate on the numbers mentioned under migration partnerships? Could you be more specific on how this will be used?

EURI Instrument

- NL of opinion that interest payments should be capped and placed under MFF ceiling. Need to follow prudent budgetary procedures. Introducing an instrument without ceilings does not fit with that principle.

- In our national budget we also had to deal with rising interest rate costs; we have done so by finding savings elsewhere. This should be the same on EU level. We cannot sell this to our parliament.

- The Commission has only published a total number of 18,9 billion for the 2024-2027 period. Need more information about underlying cost estimates, and expected payments per year. Need to ensure predictability for national budgets.

POLAND

Regarding Heading 4, 6 and 7

1. We would like to ask the EC to provide a payment profile for the additional commitments included in headings 4, 6 and 7 (preferably as part of an aggregate fiche on the payment profile for all additional commitments [€65.8 billion] proposed in the MTR).

2. Heading 6:

   a) Request for information on what the additional funds under HUMA will be used for (fiche 6 indicates an increase in HUMA of €7.9 billion).

   b) According to fiche 6, the interest appropriation for MFA 1 and 2 (both 2022 UA packages) will be increased by €700 million. Does this mean releasing this amount from the NDICI cushion and allocating it for other purposes? If so, for what purposes? Will these funds be available to all NDICI-eligible states, including the UA?

   c) Request confirmation that the €1 billion will be earmarked for ELM replenishment (see fiche 6).

   d) According to fiche 6 "It is possible that, during the period 2025 to 2027, additional provisioning linked to new disbursements to Ukraine under the External Lending Mandate will be needed". What additional amounts is the EC thinking about?

   e) In view of the conclusion of the MoU with the Tunisian government on Sunday and the unblocking of the possibility of mobilising the MFA for Tunisia later this year (€900 million loan), what will be the implications for the NDICI? Will additional NDICI funds be spent on this? (€1.2bn according to fiche 6)?

3. SEAR - is it the EC's intention to allocate the additional limits (€2.5 billion) only to external expenditure (in third countries)? If so, how does the EC intend to respect the provisions of Article 9.4 on the percentage of the three components of SEAR (external aid is only 35% of the limit)?

4. Heading 7:

   a) Request to the EC whether the increased limit of the Flexibility Instrument (additional EUR 3 billion until 2027) can be used by the EC for increased needs in Heading 7? We stress that we oppose the use of the Flexibility Instrument in Heading 7 (as does the Council as a whole).

   b) Of the additional envelope of €1.9 billion in Heading 7, what proportion is pension expenditure?

   c) What additional revenue the EC plans to generate from the sale of buildings by 2027 (as announced in fiche 7)?

   d) What is the reason for the difference between the proposed use of the Single Margin of €176.6 million in the draft budget for 2024 and the proposed increase in the ceiling for 2024 by only €148 million in the revision (see fiche 7)? Request for clarification of this difference.

SWEDEN

Proposal for a

COUNCIL REGULATION

amending Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027

THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 312 thereof,

Having regard to the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

Having regard to the proposal from the European Commission,

Having regard to the consent of the European Parliament[1],

After transmission of the draft legislative act to the national parliaments,

Acting in accordance with a special legislative procedure,

Whereas:

(1) The Commission has presented a review of the functioning of the Multiannual Financial Framework (MFF) for the years 2021-2027 set out in Council Regulation (EU, Euratom) 2020/2093[2] after its first years of implementation, including an assessment of the sustainability of the expenditure ceilings[3].

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[1] OJ C […], […], p. […].

[2] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 433I , 22.12.2020, p. 11)

[3] COM(2023)336, 20.06.2023.

(2) Since December 2020, the Union has faced a series of unprecedented and unexpected challenges. The Union has acted swiftly and used ~~all~~ means at its disposal~~, but the limited budgetary flexibility embedded in the 2021-2027 MFF is nearly exhausted, hindering the EU budget's capacity to address even the most urgent challenges~~.

(3) Special instruments have been extensively used in the first years of implementation of the MFF to address multiple challenges. The need to take further action persists, while the budgetary availabilities to confront such situations in the remaining period of the MFF ~~are extremely~~**are** limited.

(4) The EU budget should enable the Union to provide the necessary policy responses to emerging challenges and to meet legal obligations ~~which cannot be accommmodated~~ within existing ceilings ~~nor by~~ **and existing** ~~exhausted~~ flexibility. ~~**The expenditure ceilings in commitment appropriations for Headings 1, 3, 5, 6, and 7 including the sub-ceiling for administrative expenditure of the institutions for the years 2024, 2025, 2026 and 2027, and the ceiling for Heading 4 for the years 2025, 2026 and 2027 should therefore be increased. As a result, the expenditure ceilings in payment appropriations for the years 2026 and 2027 should be increased.**~~

(5) Russia's illegal war of aggression against Ukraine has brought war back to European soil. The Union will keep supporting Ukraine for as long as it takes and firmly help Ukraine on its European path. To that end, the European Parliament and the Council have adopted Regulation (EU) [XXX] [Ukraine Facility][4] as the Union's response to support Ukraine's macro-financial stability, reconstruction and modernisation, while supporting Ukraine's reforms effort as part **of** its EU accession path.

(6) Given the uncertainties linked to Russia's war of aggression, the Ukraine Facility should be a flexible instrument to provide the adequate form and level of support until 2027. Support under the Ukraine Facility should be provided in the form of loans, non-repayable support and provisioning for budgetary guarantees.

(7) For the part of the Ukraine Facility support provided in the form of loans, it is appropriate to extend until 2027 the existing Union budget guarantee to cover the financial assistance which is made available to Ukraine **through the Ukraine Facility**. As a consequence, it should be possible to mobilise ~~the necessary appropriations~~**up to [EUR 50 000 millions]** in the Union budget over and above the ceilings of the MFF for financial assistance to Ukraine available until the end of 2027.

(8) For the part of the Ukraine Facility support provided in the form of non-repayable support and provisioning of budgetary guarantees, the appropriations should be provided through a new thematic special instrument, the 'Ukraine Reserve'. The commitment appropriations and corresponding payment appropriations should be mobilised annually in the framework of the budgetary procedure set out in Article 314 TFEU, over and above the ceilings of the MFF**, in line with the annual amounts in the Council implementing decision on the assessment of the Ukraine Plan**.

[4] OJ […], […], p. […].

(9) For the programmability of the Ukraine Facility and the orderly development of expenditure, it is appropriate to set out ~~indicative minimum~~ annual amounts ~~and maximum amounts~~ that may be made available annually for the Ukraine Reserve through the period 2024 to 2027**, which can be amended through the Council implementing decision**.

(10) Since 2022, the Union and most major economies have witnessed a surge of interest rates for all bonds issuers, including the Union. As a result, the funding costs for the European Union Recovery Instrument ('NextGenerationEU') borrowing to be borne by the Union budget under Article 5(2) of Decision (EU, Euratom) No 2020/2053[5] are expected to exceed the estimates initially programmed under the MFF ceilings at the time of its adoption in December 2020.

(11) Given the uncertainty surrounding the future evolution of interest rates ~~and in order to avoid undue pressures on Union programmes~~, it is appropriate to establish a new ~~thematic special~~ instrument to cover all funding costs for NextGenerationEU borrowing which exceed the amounts initially programmed. The necessary commitment appropriations and corresponding payment appropriations in the Union budget should be made available ~~over and above the ceilings of the MFF~~**through a proportionate reduction in all spending programs within the budget.**

~~(12) The Solidarity and Emergency Aid Reserve Reserve and the Flexibility Instrument should be reinforced in order to maintain a sufficient capacity for the Union to react to unforeseen circumstances until 2027.~~

(13) In the light of these unexpected events and new challenges, it is necessary to revise the MFF, and Regulation (EU, Euratom) 2020/2093 should therefore be amended accordingly.

(14) The amendments to Regulation (EU, Euratom) 2020/2093 are without prejudice to the obligation to respect the own resources ceilings laid down in Articles 3(1) and 6 of Council Decision (EU, Euratom) 2020/2053.

SE-comment:

- SE-changes of the recitals to adjust language to a midterm-review focused on Ukraine, also in the light of the fact that SE doesn't share the Commissions view on for example the need for changes to tha maximum annual amount of SEAR and the Flexibility instrument

[5] Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom, OJ L 424, 15.12.2020, p. 1.

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EU, Euratom) 2020/2093 is amended as follows:

(1) Article 2 is amended as follows:

(a) in paragraph 2, the first subparagraph is replaced by the following:

‘2. Where it is necessary to use the resources from the special instruments provided for in Articles 8, 9, 10, ~~**10a,**~~ 10b and 12, commitment and corresponding payment appropriations shall be entered in the budget over and above the relevant MFF ceilings.’;

(b) in paragraph 3, the second sub-paragraph is replaced by the following:

‘Where it is necessary to mobilise a guarantee for financial assistance to Ukraine which is available for the years 2023 **and through the Ukraine Facility for the years 2024** to 2027 and authorised in accordance with Article 220(1) of the Financial Regulation, the necessary amount shall be mobilised over and above the MFF ceilings.’;

~~**(2) In Article 9, paragraph 2 is replaced by the following:**~~

~~**‘2. The Solidarity and Emergency Aid Reserve shall not exceed a maximum annual amount of EUR 1 739 million (in 2018 prices). Any portion of the annual amount not used in year n may be used up to year n+1. The portion of the annual amount stemming from the previous year shall be drawn on first. Any portion of the annual amount from year n which is not used in year n+1 shall lapse.’;**~~

SE-comment

- SE not convinced of the need to increase the maximum annual amount for SEAR at this point.
- No detailed reasoning for the size of the proposed increase (539 mn euro) has been provided by the Commission.
- Commission-fiche seems to argue that there is a constant need for mobilisation of SEAR in the coming years, which contradicts the specification of the instrument as a crisis-instrument, ie. an instrument to be used for unforeseen major disasters and rapid emergency response. SE would not like to see the instrument to be used as a way to reinforce regular expenditure under Heading 6.
- Substantial amounts will still be available for the instrument in the years 2024-2027 and the need for funding of future crises is unknown.
- In case of lack of funds and exceptional crises, the possibility of "borrowing" 400 mn from the following year remains.

(3) The following Articles are inserted:

'Article 10a
EURI Instrument

1. The EURI Instrument may be used to finance**, through a proportionate reduction in all spending programmes,** the additional costs where, in a given year, the costs of the interest and coupon payments due in respect of the funds borrowed on the capital markets in accordance with Article 5(2) of Decision (EU, Euratom) No 2020/2053 exceed the following amounts (in 2018 prices):

– 2024 – EUR 1 840 million,

– 2025 – EUR 2 332 million,

– 2026 – EUR 3 196 million,

– 2027 – EUR 4 168 million,

2. The EURI Instrument may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU.';

SE-comment

- SE agrees that increased costs for interest payments are a consequence of the economic situation.
- However, this situation is not in any way unique to the EU – expenditures in Member States national budgets have also been adjusted downwards to accommodate for the increased costs for interest-payments.
- For the same reason, SE is not convinced of the arguments provided for placing a substantial part of these costs outside the ceiling.
- SE is of the opinion that the additional costs should be financed through re-prioritization, for example by introducing a mechanism for proportional reductions in all spending programs. SE will elaborate on a more concrete example on how such a mechanism could work in the upcoming meetings.
- SE also believes that it is important for the Council to take a restrictive approach on this particular topic in view of the upcoming discussions with the EP (as the EP seems to consider the issue of interest payments a priority).

Article 10b
Ukraine Reserve

1. The Ukraine Reserve may be mobilised for the sole purpose of financing expenditure under the Ukraine Facility Regulation ~~**and shall aim at providing at least EUR 2 500 million in current prices as an annual indicative amount**~~.

2. The Ukraine Reserve shall not exceed an amount of [EUR 50 000 million] in current prices for the period 2024 to 2027. The annual amount mobilised under the Ukraine Reserve in a given year shall not exceed EUR [16 700] million in current prices.

3. The Ukraine Reserve may be mobilised by the European Parliament and the Council in the framework of the budgetary procedure provided for in Article 314 TFEU~~.'~~, **in line with the annual amounts of the Council implementing decision on the assessment of the Ukraine Plan**.';

SE-comment

- SE is of the view that the Ukraine facility and the Ukraine reserve should be the focus of the discussion on the midterm-review. Continued financing for Ukraine is the really decisive issue, where the current MFF has reached a limit.

- SE wants the Union to continue to assist Ukraine with extensive financial support and we welcome the more predictable and structured approach that the Commission has proposed. This proposal is of political importance and it concerns our common security.

- In this very special case, SE agrees that the introduction of a new special instrument seems reasonable, and is currently assessing the proposed amounts.

- As Ukraine-financing is a true priority for the Union, there should also be re-deployments from other areas of the budget.

- On technicalities: the Ukraine reserve should specify the maximum amount of loans and the maximum amount of grants for better predictability.

- On process: a specific annual amount for loans and for grants should be part of the Commissions proposal for an implementing decision, on which the Council will decide.

(4) ~~**In Article 12, paragraph 1 is replaced by the following:**~~

~~**'1. The Flexibility Instrument may be used for the financing, for a given financial year, of specific unforeseen expenditure in commitment appropriations and corresponding payment appropriations that cannot be financed within the limits of the ceilings available for one or more other headings. The ceiling for the annual amount available for the Flexibility Instrument shall be EUR 1 562 million (in 2018 prices).';**~~

SE-comment

- SE is not convinced of the need to increase the maximum annual amount for Flexibility Instrument at this point.

- No detailed reasoning for the size of the proposed increase (647 mn euro), corresponding to an increase of 70%, has been provided by the Commission.

- Substantial amounts will still be available for the instrument in the years 2024-2027 and the need for funding of future unforeseen expenditure is unknown.
- Given that not only the Flexibility Instrument but also the Single Margin Instrument provides for susbstantial flexibility in the current MFF, and given that this flexibility in no way has been exhausted, the argument for an increase of the Flexibility Instrument is not clear.

- The changes made to the MFF in the context of the midterm-review, for example concerning Ukraine, are expected to reduce the need for a more frequent use of the Flexibility Instrument in the coming years.

(5) Annex I is replaced by the text in the Annex to this Regulation.

Article 2

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the Council
The President